

1. INTRODUCTION

The Army Family Housing Master Plan (FHMP) is a consolidated strategy for planning, programming, and executing The Army Family Housing (AFH) program. The FHMP meets the Defense Planning Guidance (DPG) goal of eliminating all inadequate family housing by 2007, through a combination of traditional Military Construction (MILCON), increases in the Basic Allowance for Housing (BAH), and privatization under the Residential Communities Initiative (RCI) program.

1.1 PURPOSE AND SCOPE

This report supercedes The Army's FHMP (FY 03-09) POM/BES Version that was published in August 2002. This document will serve as the basic plan for future FHMP updates. Specifically, this report identifies:

- Each installation's Family Housing inventory, condition, and requirements.
- Associated costs to bring up the required AFH at each installation to acceptable standards.
- Years in which military construction and privatization projects will be planned.
- Funds to properly operate and maintain housing that remain under Army control.
- Planned disposal of surplus housing.

1.2 BACKGROUND

The Army's Family Housing program provides a major incentive that is necessary for recruiting and retaining dedicated individuals to serve in The Army. Yet, adequate housing continues to be a major

concern to Soldiers, when we ask them about their quality of life. Maintaining and sustaining safe, attractive, and convenient housing for our Soldiers and families is one of The Army's continuing challenges.

Since 1997, Defense Planning Guidance (DPG) has directed each of the Services to develop an installation-level plan to respond to the growing need for quality affordable housing for military personnel by the year 2010. The Army's initial plan, completed in September 1998, called for the privatization of about 85,000 AFH units over 5 years at 43 US locations. Privatization would leverage private-sector resources and "cost avoid" a portion of an estimated \$6 billion requirement.

However, during Congressional testimony, issues were raised about the aggressiveness and scope of the Services' privatization programs. Congress asserted that it would be prudent to test the various authorities in the legislation before basing all, or significant portions, of the Family Housing program on their use. Congress recommended that the Military Services test the legislative authorities, and use them to supplement, not supplant, existing housing programs. These issues, and others involving the process and approach to privatization, were addressed in FY 1999, during a six-month hold on The Army's privatization program. In response to Congressional concerns, The Army:

- Added over \$250 million (current dollars) in family housing construction funds to the FY 2001-2005 Military Construction (MILCON) program.
- Limited the privatization initiative to the ongoing Fort Carson, Colorado, project -- plus three additional pilot sites at Fort Hood, Texas; Fort Lewis, Washington; and Fort Meade, Maryland.

- Phased the pilot projects, in order to capitalize on lessons learned.
- Clarified the housing requirements process to ensure that the construction effort would not go beyond military requirements.
- Limited the requirement to provide ancillary support facilities consistent with FY 2000 legislative changes to the Military Housing Privatization Initiative (MHPI) authorities; i.e., ensure that projects do not compete with the Army and Air Force Exchange Service (AAFES), the Defense Commissary Agency (DeCA), or the operations of the Services' Morale Welfare and Recreation (MWR).
- Agreed to coordinate closely with the Congressional oversight committees throughout the planning and development of each pilot site.

Unless it were to privatize more than the pilots at Forts Carson, Hood, Lewis, and Meade, The Army could not reach the goal before 2025. The Army's FHMP 2000, submitted to Congress in June 2000, used a combination of traditional military construction, operation and maintenance support, as well as increased reliance on privatization, to reach the goal by 2014. In order to meet the Secretary of Defense 2010 goal, The Army estimated that an additional \$831 million in family housing investment would be needed.

The key elements of the FHMP 2000 were:

- Expanded privatization in the US to 20 projects (4 existing pilots plus 16 added).
- Prioritized revitalization by fixing worst first.

- Programmed sufficient funds to eliminate all inadequate AFH in Europe and Korea by 2010.
- Programmed sufficient funds to eliminate all inadequate AFH in US by 2014.
- Provided a balanced program between privatization and military construction.
- Transferred AFH funds to Military Personnel, Army (MPA) to cover increased Basic Allowance for Housing (BAH) requirements for privatized units.

In July 2001, The Army submitted the FHMP 2001 to Congress. The key elements of the FHMP 2001 were:

- Expanded privatization in the US to 29 projects (4 existing pilots plus 25 added).
- Retained privatization cost avoidances within the AFH program to meet the 2010 goal worldwide and to sustain the Government-owned inventory.
- Supported a buildup of accompanied tours in Korea based on the Eighth US Army (EUSA) Family Housing Master Plan.
- Initiated a 3-year program to develop Installation-Family Housing Master Plans.

As a result of this increased reliance on privatization in the FHMP 2001, sufficient funds were available, from FY 2005 onwards, to eliminate all inadequate housing in the US by FY 2009—meeting the FY 2010 goal one year earlier. However, there remained an unfunded requirement for Government equity contributions of \$138.6M and \$47.7M in FY 2003 and FY 2004, respectively.

Subsequent to the publication of the FHMP 2001 in July, the following events made it necessary to amend the FHMP 2001 in October 2001:

- The Army decided (on August 29, 2001) to fund 20 RCI projects in addition to the 4 pilot sites. As a result, \$130M was added to the AFH program to partially offset the unfunded requirement for Government equity contributions (scoring) in the FHMP 2001. The five unsupported projects were Forts Riley, Drum, McCoy, McPherson, and Leavenworth.
- The DPG for FY 2003-2007 (on August 30, 2001) redirected the Military Departments to plan and program resources to eliminate inadequate Family Housing by 2007, instead of 2010.
- In response to the DPG, The Army added \$1.09 billion (on September 20, 2001) to the AFH Construction Program (\$446.0 million, \$443.6 million, and \$200.8 million in FY 2005, FY 2006, and FY 2007, respectively).
- Inventory Condition—NAHBRC Revitalization Assessments and DD 1391 Staff Assistance visits (August 2001—July 2002).
- Investment Costs—Estimates developed by NAHBRC (July 2002).
- Requirements—Housing Market Analyses (HMA) completed by Robert D. Niehaus, Inc. (November 1999 to July 2002). For installations without a current HMA, surpluses are derived from the Schedule 48s (April 2002) and deficits are assumed to be zero.
- Essential Operations and Maintenance Requirements—Defense Financial Accounting System (October 2001) for management, utilities, and leasing costs. Essential maintenance and repair (M&R) amounts were projected from the July 2001 Installation Status Reports (ISR).

1.3 APPROACH

This report represents a combined effort by The Army Housing Plans and Programs Team and the National Association of Home Builders Research Center (NAHBRC). This report is an update to the POM/BES Version of the FHMP (FY 03-09) published in August 2002 and reflects the current Army position contained in the FY 2004 President's Budget. The following data sources were used to establish the original baseline:

- Inventory—Schedule 48's for owned inventories and Schedule 51's for leased inventories (April 2002).

1.4 ASSUMPTIONS

Wherever possible, assumptions made during the development of this plan are documented, as they become relevant to the discussion. However, there are a few major assumptions that guide the focus of the overall plan and will be presented in this section.

Basic Allowance for Housing (BAH) will continue to increase based on the Secretary of Defense's mandate to eliminate out-of-pocket (OOP) expenses.

Accompanied military personnel residing in community housing receive a BAH in addition to basic pay. Current Department of Defense (DoD) policy does not mandate that BAH meet all housing costs for uniformed personnel and their families. If necessary, each member is expected to pay additional money to meet housing costs. The average

BAH out-of-pocket (OOP) expenses were 7.5% starting January 2003, down from 11.3% during 2002. The future escalation of BAH is not certain at this time. Based on current DoD guidance, our assumption is that OOP will be reduced to zero by 2005 and BAH rates will increase to reflect projected rent plus utility costs within the market area.

Privatization Can Be Executed At An Accelerated Rate. The Army's plan original plan was to test the MHPI authorities at Forts Carson, Hood, Lewis and Meade in order to gather information, document lessons learned, establish procedures and policies, and determine needed improvements. The Army has transitioned these four projects to privatized operations. This plan assumes that The Army can execute 24 more privatization projects by the end of 2006.

1.5 UPDATES

Military, social, and economic conditions that influence the FHMP are dynamic. As the FHMP is refined through an iterative updating process, more accurate estimates of the requirements are needed. The Army is currently conducting an aggressive campaign to develop Installation Family Housing Master Plans (I-FHMP) for Government-owned Family Housing in the US. Similar procedures have been used for overseas housing. Sites with fewer than 100 family housing units will continue to be addressed using ISR, data calls, and staff assistance visits.

The I-FHMP is developed in two steps:

- Step 1 consists of a Housing Market Analysis (HMA) to determine on-post Family Housing needs. The methodology is consistent with the Office of the Secretary of Defense (OSD) policy of looking first to the private sector for availability of adequate off-post housing

for soldiers and their families. Shortfalls in categories of off-post housing necessary to support a specific installation's families become the basis for determining the installation's Family Housing requirements. Once completed, the HMA is validated by HQDA and forwarded to the Major Army Commands (MACOMs) and Installations for comment.

- Step 2 consists of taking the on-post requirements determined in Step 1 and developing an installation-level FHMP (I-FHMP). Analysts from the National Association of Home Builders Research Center (NAHBRC), a HQDA contractor, develop the installation plan. NAHBRC works closely with the installation to determine revitalization costs, project phasing, and year-by-year programming schedules. For privatization sites (RCI), this step is not accomplished by NAHBRC, but by the partners during development of the installations' privatization plans.

A schedule for the completion of HMAs and I-FHMPs is presented in **Appendix A**.

1.6 SIGNIFICANT CHANGES

Beginning this year, there are significant changes in the publication dates, content, and format of the FHMP. These changes have been engineered to produce a product that can be used for planning, programming, and execution. Finally, the displays have been changed to reflect the Army's Transformation of Installation Management.

Transformation of Installation Management (TIM). Effective October 1, 2002, the Army Assistant Chief of Staff for Installation Management (ACSIM) became responsible for managing installations and

installation support services through establishment of the Installation Management Activity (IMA), a new Headquarters, Department of The Army (HQDA) field operating agency located within the National Capital Region. Seven Regional Directorates were established under the IMA, with the Regional Directors reporting to and rated by the ACSIM. The Regional Directorates and locations were established as follows:

- US Army (USA) Installation Management Northeast Region Office (NERO), Fort Monroe, Hampton, VA;
- USA Installation Management Southeast Region Office (SERO), Fort McPherson, Atlanta, GA;
- USA Installation Management Northwest Region Office (NWRO), Rock Island Arsenal, Rock Island, IL;
- USA Installation Management Southwest Region Office (SWRO), Fort Sam Houston, San Antonio, TX;
- USA Installation Management Europe Region Office (EURO), Heidelberg, Germany;
- USA Installation Management Korean Region Office (KORO), Yongsan, South Korea;
- USA Installation Management Pacific Region Office (PACO), Fort Shafter, Honolulu, HI.

Publication Dates. Previous versions of the FHMP were published in July of each year and were not synchronized with any major budget milestones. This year, there will be two versions of the FHMP produced in conjunction with the planned budget

milestones. The POM/Budget Estimate Submission (BES) version, published in August 2002, matched figures in the final POM/BES lock. This President's Budget (PB) version will be the official planning and execution document.

Content. This FHMP does not end in FY 2007 when The Army achieves funding of the OSD goal of eliminating all inadequate family housing. Rather, it now contains the current budget year (FY 2003) and the Program Objective Memorandum (POM) years (FY 2004 – FY 2009). In addition, the content has been expanded and reorganized to portray the leased assets and results of recently completed HMAs. Specific changes to the content of this year's FHMP include:

- Leased Housing—The assets, as well as, funding are now included;
 - Improved Requirements— The results of 27 HMAs are used in this FHMP update (see **Appendix A**). All currently planned HMAs should be completed by the end of July 2003. Future dates are displayed for planning purposes and are subject to change.
- Format.** A loose-leaf binder with tabs replaces the spiral binding. This format makes the information easier to access and easier to update. In addition, Tables, Figures, and Appendices are redesigned to provide program information more clearly and concisely. Finally, the report is reorganized into separate sections for each major component of the FHMP:
- Section 2: Privatization Plan—Provides the details for twenty-eight projects that are currently in the RCI program. Privatization is instrumental in achieving the OSD 2007 goal;

- Section 3: Investment Plan—Covers The Army's line item construction program which includes; deficit elimination; replacement; revitalization (i.e., renovating and improving existing units); planning and design; and, equity contributions for privatization;
- Section 4: Inventory Plan—Provides the status and future plans for The Army's owned, leased, and privatized AFH. It identifies requirements and tracks the conversion of Government-owned units from inadequate to adequate, or to privatized units;
- Section 5: Funding Plan—Shows the distribution of AFH resources required to ensure that soldiers and their families have access to quality housing and services. Fundamental in the allocation of resources is the achievement of the OSD 2007 goal;
- Appendices—Appendices A through E provide the details behind the FHMP. References to the Appendices are included, where appropriate.

*The Next Section Describes
The Privatization Plan*

2. PRIVATIZATION PLAN

The Army's housing privatization program, known as the Residential Communities Initiative (RCI), is an essential element for solving The Army's acute family housing problem. The Army's RCI program is dedicated to building 21st Century, world-class, quality residential communities for soldiers and their families. The RCI program is built on partnerships with private sector world-class developers. The Army's partners' expertise, experience, innovation and willingness to work collaboratively with key stakeholders are essential to the program's success. To continue this momentum, the RCI program requires dedicated support from Government, private industry, and The Congress.

2.1 ACQUISITION PROCESS

RCI focuses on the total residential community (not just houses) and uses a Request For Qualifications (RFQ) acquisition process. The RFQ process attracts world-class developers who bring best practices and innovations to AFH privatization projects. This best value process reduces time and costs for both Army and private sector developers who participate in the RCI program.

Request For qualifications. The RFQ process seeks to evaluate and award on the basis that the firm selected is the most highly qualified (based on applied criteria) to engage in discussions with The Army to create a mutually agreed upon business plan to meet The Army's requirements. The RFQ procurement approach allows The Army to:

- Provide greater flexibility in negotiating long-term partnership agreements with the private sector partner.

- Maximize opportunities for interchange among developers, the local community, and The Army.
- Foster innovation and creativity and provide opportunities to craft the best business and development plans.
- Take greater advantage of private sector expertise and provide a mechanism for consultation with OSD and The Congress during the process.
- Maximize competition by utilizing a solicitation process familiar to the private sector and lowering the entry cost for private sector offerors to submit a response. This process had the effect of increasing the number of bidders.
- Create comprehensive real estate plans with the expertise and advice of private consultants.

Two-Step Approach. Many current and future RCI sites are utilizing a two-step RFQ process. The two-step RFQ process is designed to reduce the cycle time required to prepare and evaluate proposals and to reduce the associated costs.

- Step One—The Army issues an RFQ for each competitive group (explained in section 2.2) that establishes specific administrative minimum requirements and seeks discussion of five general factors. Administrative minimum requirements are established to address the skill sets of development, property management, and financial capability. This first step of the RFQ is used to identify those offerors determined to be highly qualified and thus eligible for further consideration for potential long-term business relationships designed to achieve the goal of improving military

housing communities. Highly qualified offerors will be selected based on their experience, financial capability, organization (corporate level), past performance, and small business utilization (general history). These offerors will comprise an exclusive competitive range.

- **Step Two**—Each project in a competitive group is solicited separately and competed on individually by the offerors in the competitive range. Offerors in the competitive range may elect not to submit on a specific installation without penalty. Installation-specific submittals are used to select a offeror, who in The Army's judgment, is determined to be the best qualified to enter into a long-term business relationship designed to achieve the goals of that specific installation. The offeror is evaluated based on their installation specific preliminary concept, financial return, organization capabilities, and small business utilization plan. Installation-specific proposals are submitted as oral presentations, with only limited hard copy documentation.

Community Development and Management Plan (CDMP). Once the procurement is complete, The Army awards a contract to the selected development partner to work with the specified installation to prepare a CDMP. The CDMP serves as the business plan for each specific RCI project, and it sets forth the proposed terms of the developer's long-term relationship with The Army. The CDMP consists of three main components: (1) Development Plan, (2) Financial Plan and Transactional Instruments, and (3) Operations, Maintenance, and Property Management Plan. Benefits of the CDMP process follow.

- Allows The Army and developer to work through issues collaboratively and ensures major issues are identified and addressed before execution of the plan.
- Provides a forum for The Army to consider proposals from the developer concerning the use of specific privatization authorities.
- Gives The Army a mechanism for periodically conferring with Congressional oversight committees during project planning, as well as, with representatives from the local community and other Army and Defense Department organizations, to ensure the needs of all interested parties are satisfied.

The CDMP process takes about seven months. During the first six months, the selected developer works closely with The Army to craft a CDMP that is the business plan for the proposed RCI project. The Army staffs this plan, and then submits it to The Congress for review. If Congress does not object to the project, The Army issues a Notice to Transition and the developer is paid a fixed fee for the CDMP. About three months later, housing assets and operations are turned over by The Army to the partnership, which is typically a limited partnership or limited liability company that includes The Army and developer as limited partners.

2.2 RCI PROJECTS

The Army's privatization program began with 4 projects and will expand to 17 completed or active projects by the end of FY 2003. Pending OSD and Congressional concurrence, 28 projects are planned for transfer of operations by the end of FY 2006. About 80% (73,477 units) of the US owned end-state inventory of 91,299 units will be

privatized. Nine competitive groups have been formed to apply the two-step RFQ approach to the 24 remaining privatization projects. The latest RCI schedule is shown in **Table 2-1**. Since the funding requirements for projects that may have slipped will not be addressed until this year's POM, the Inventory Plan in Section 4 will not be adjusted until the POM Version of FHMP (FY04-09) scheduled for August 2003.

Completed Projects. Between 1999 and 2002, The Army privatized four sites (Forts Carson, Hood, Lewis and Meade). The Fort Carson project used the RFP approach. The remaining three used a one-step RFQ.

- **Fort Carson.** Includes the operation, maintenance and revitalization of 1,823 existing homes, and construction of 840 additional homes. In September 1999, a contract was awarded to the Fort Carson Family Housing Limited Liability Corporation, a division of J.A. Jones. The contractor assumed ownership and operations in November 1999. About 20 new and 40 renovated homes are delivered each month.
- **Fort Hood.** Includes the operation, maintenance and revitalization of 5,622 existing homes, and construction of 290 added homes. Transfer of assets and operations to the Fort Hood Family Housing LP, a Texas Limited Partnership occurred on October 1, 2001. The managing partner is Fort Hood Family Housing Inc., a Texas corporation.
- **Fort Lewis.** Includes the operation, maintenance and revitalization of 3,637 existing homes, and construction of 345 additional homes. Transfer of assets and operations to Fort Lewis Communities LLC of Delaware occurred on May 1, 2002. The managing partner is

EQR/Lincoln Fort Lewis Communities, LLC.

- **Fort Meade.** Includes the operation, maintenance, and revitalization of 2,862 existing homes, and construction of 308 added homes. Assets and operations were transferred to Meade Communities LLC, a Delaware Limited Liability Corporation, on April 1, 2002. The managing partner is Meade-Picerne Partners, LLC.

Active Projects. The Army has selected partners for eight projects. Installation teams are collaborating with these partners to develop 50-year Community Development and Management Plans. Transfers of assets/operations are expected to occur in late FY 2003/FY 2004. The selected partners are:

- Fort Bragg—Picerne Real Estate Group.
- Presidio of Monterey/Naval Postgraduate School—Clark Pinnacle Family Communities, LLC.
- Fort Campbell—Lend Lease Actus.
- Fort Belvoir--Clark Pinnacle Family Communities, LLC.
- Fort Hamilton—Hudson Fort Hamilton, LLC.
- Fort Irwin//Moffett Community Housing/Parks Reserve Forces Training Area—Clark Pinnacle Family Communities, LLC.
- Fort Stewart/Hunter Army Air Field—GMH Military Housing, LLC.
- Forts Eustis/Story/Monroe—J.A. Jones.

**Table 2-1
Privatization Plan (RCI)**

Installation	Equity (\$M)	FY Funded	FY 2003 Owned Inventory			Requirement		Schedule		
			Inadequate	Adequate	Total	+/-	Total	Phase 1	Phase 2	Transfer
Fort Bragg	\$49.4	2002	3,357	1,223	4,580	815	5,395	Oct-01	Feb-02	Aug-03
Fort Campbell	\$52.2	2002	2,838	1,402	4,240	567	4,807		May-02	Oct-03
Fort Stewart/Hunter AAF	\$37.4	2002	2,230	697	2,927	776	3,703		Aug-02	Jan-04
Fort Polk	\$64.0	2003	3,121	520	3,641	180	3,821		Jan-03	May-04
Group 1 Total	\$203.0		11,546	3,842	15,388	2,338	17,726			
Presidio of Monterey	\$0.0	----	1,669	6	1,675	0	1,675	Dec-01	Apr-02	Sep-03
Fort Irwin/Moffett/Parks	\$0.0	----	866	1,894	2,760	292	3,052		Jul-02	Dec-03
Group 2 Total	\$0.0		2,535	1,900	4,435	292	4,727			
Fort Hamilton	\$2.2	2002	436	0	436	-208	228	Jan-02	May-02	Oct-03
Picatinny Arsenal	\$0.5	2002	73	43	116	-45	71		Dec-03	May-05
Walter Reed AMC	\$0.1	2002	10	211	221	656	877		Jan-03	Jan-04
Fort Detrick	\$1.2	2002	140	33	173	181	354		Apr-03	Apr-04
Group 3 Total	\$4.0		659	287	946	584	1,530			
Fort Belvoir	\$7.5	2003	1,851	219	2,070	998	3,068	Jan-02	May-02	Mar-04
Fort Eustis/Story	\$14.8	2003	1,104	12	1,116	77	1,193		Sep-02	Feb-04
Group 4 Total	\$22.3		2,955	231	3,186	1,075	4,261			
Hawaii	\$21.0	2003	4,126	3,238	7,364	-14	7,350	Dec-02	Feb-03	Oct-04
Group 5 Total	\$21.0		4,126	3,238	7,364	-14	7,350			
Fort Leonard Wood	\$45.0	2003	2,446	26	2,472	-230	2,242	Apr-03	Jul-03	Dec-05
Fort Sam Houston	\$6.6	2004	315	611	926	408	1,334		Oct-03	Apr-05
Fort Bliss	\$38.0	2004	2,045	731	2,776	535	3,311		Feb-04	Jul-05
Group 6 Total	\$89.6		4,806	1,368	6,174	713	6,887			
Fort Drum	\$52.0	2004	2	2,270	2,272	1,244	3,516	May-03	Sep-03	Feb-05
Carlisle Barracks	\$22.0	2004	277	39	316	-39	277		Dec-03	May-05
Group 7 Total	\$74.0		279	2,309	2,588	1,205	3,793			
Fort Benning	\$58.0	2005	3,800	255	4,055	0	4,055	Apr-04	Jul-04	Jan-06
Fort Rucker	\$24.0	2005	1,036	480	1,516	0	1,516		Nov-04	Apr-06
Fort Gordon	\$9.1	2005	592	280	872	0	872		Feb-05	Jul-06
Group 8 Total	\$91.1		5,428	1,015	6,443		6,443			
Fort Knox	\$32.0	2005	3,007	373	3,380	-392	2,988	Apr-04	Jul-04	Jan-06
Fort Leavenworth	\$15.5	2005	1,227	353	1,580	3	1,583		Nov-04	Apr-06
Redstone Arsenal	\$0.6	2005	202	301	503	-41	462		Feb-05	Jul-06
Group 9 Total	\$48.1		4,436	1,027	5,463	-430	5,033			
TOTAL	\$553.1		36,770	15,217	51,987	5,763	57,750			

The Army has five projects in various stages of procurement. These projects are:

- Fort Polk—Solicited in October 2001 as the last project in Competitive Group 1, partner selection is scheduled for April 2003.
- Picatinny Arsenal—Originally solicited in January 2002 as part of Competitive Group 3, this project was put on hold due to a lack of industry response. Current plans call for re-solicitation in May 2003.
- Walter Reed Army Medical Center—The third project solicited in January 2002 as part of Competitive Group 3, partner selection is scheduled for April 2003.
- Fort Detrick—The last project solicited in January 2002 as part of Competitive Group 3, partner selection is scheduled for July 2003.
- Hawaii (Fort Shafter/Schofield Barracks)—Solicited in December 2002 as the only project in Competitive Group 4, partner selection is scheduled for July 2003.

Planned Projects. The Army plans to solicit an additional eleven projects in FY 2003-2004. These eleven projects comprise Competitive Groups 6 through 9.

- Competitive Group 6—In April 2003, The Army will issue an RFQ to privatize the housing at Forts Leonard Wood, Sam Houston and Bliss. Transfers of assets and operations are expected to occur between February and November 2005, respectively.
- Competitive Group 7—In April 2003, The Army will issue an RFQ to privatize the housing at Fort Drum, NY and Carlisle Barracks, PA. Transfers of assets and

operations are expected to occur in April 2005 for Fort Drum and in August 2005 for Carlisle Barracks.

- Competitive Group 8—In April 2004, The Army will issue an RFQ to privatize the housing at Forts Benning, Rucker, and Gordon. Transfers of assets and operations are expected to occur between December 2005 and July 2006, respectively.
- Competitive Group 9—In April 2004, The Army will issue an RFQ to privatize the housing at Forts Knox, Leavenworth and Redstone Arsenal. Parallel to competitive Group 8, transfers of assets and operations are expected to occur between December 2005 and July 2006, respectively.

2.3 EQUITY CONTRIBUTIONS

The Federal Credit Reform Act of 1990 requires agencies to measure a program's total cost and set aside budgetary authority sufficient to cover the commitment. The Federal Budget Process of the Office of Management and Budget (OMB) Scoring Model establishes procedures to measure the dollar amount to be set aside. Two important financing tools available to DoD for housing privatization efforts are direct loans and loan guarantees. The amount of obligations to be recorded for a direct loan or loan guarantee depends upon the subsidy rate set by OMB. This rate is a percent of the loan amount and may vary depending upon the risk to the Government over the life of the loan.

The lessons learned during the Fort Hood solicitation prompted The Army to restructure the level of Government participation for some future AFH privatization projects. The Army will likely provide a Government

equity contribution, in lieu of, a loan or mortgage guarantee.

The current Army Family Housing Master plan contains about \$560M for Government equity contributions to support privatization projects from FY 2002 through FY 2005. The breakout of requirements is \$143.0M, \$153.5M, \$120.4M and \$142.7M in FY 2002 through FY 2005, respectively. These estimates are based on an assumption of a required Army contribution in the form of a Government equity investment. In addition it is assumed that all necessary construction debt is secured at project outset, in order to stabilize project scope.

2.4 RESIDUAL COSTS

Whether filled “in house” or by contracted effort, residual staff will be based on the following planning guidelines.

RCI Support. 3.5 persons for overhead, and 1 person for each 1,000 privatized units.

Off-post Family Support. 1.5 persons for management and community liaison, 1 person for every 3,000 private sector military families for Community Homefinding Relocation and Referral Services (CHRRS), 1 person for Deposit Waiver, and another if any Section 801 leased housing is managed by the housing office.

Services. Since construction project oversight and program monitoring are not considered in-house functions, both are separately resourced with appropriated funds. In general, services for privatized housing areas will be provided by the private-sector contractor, at no additional charge to the Government or residents. Other indirect support services may be negotiable items in the CDMF.

2.5 LIFE-CYCLE COSTS

The Army developed life-cycle cost analyses for the privatization candidates based on notional development plans (see **Appendix E**). During concept development, The Army will fully analyze the life cycle costs of each site using OSD procedures.

2.6 SUMMARY

The RCI program is a major component of The Army plan to alleviate housing shortages and rapidly improve the condition of our existing housing.

- The RCI program reflects the shift in The Army's institutional philosophy toward managing installations as strategic assets. This broader vision has led us to focus on developing and managing communities and embrace comprehensive planning and execution, as opposed to piecemeal projects.
- The RCI program gives the opportunity to provide better homes and communities for Army families much sooner than traditional methods.

For additional information on The Army's RCI Program, visit The Army's RCI website (www.rci.army.mil) or call the RCI Program Office at 703-692-9898.

*The Next Section Describes
The Investment Plan*

3. INVESTMENT PLAN

3.1 INTRODUCTION

Until the end of FY 2007, the AFH investment program focuses mainly on the elimination of over 60,000 inadequate units that were estimated to exist at the end of FY 2002. The only deficit construction in the FY 2003 to FY 2007 program is 200 units (\$81M) for Fort Wainwright in support of Army Transformation, and 371 units (\$140M) in Korea to support their initiative to increase the number of families.

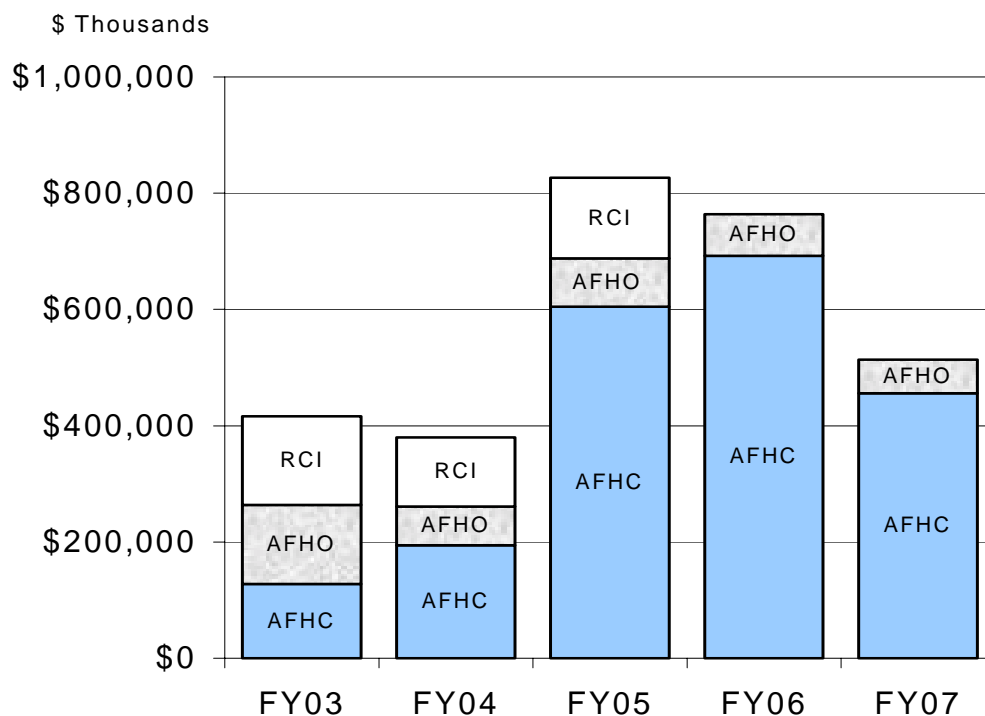
After FY 2007, the AFH investment program is characterized by new construction for deficit reduction and the renovation or

replacement of units previously rated "ISR Green", but that are actually at the end of their useful life. This section summarizes The Army's investment program.

3.2 ELIMINATING INADEQUATE UNITS

The investment required from FY 2003 to FY 2007 to eliminate all inadequate Family Housing is \$2.95 billion. **Figure 3.1** shows the distribution of these investment requirements between traditional AFH Construction (AFHC), renovations using AFH Operations (AFHO) major maintenance and repair funds, and RCI equity contributions (also funded under AFHC). Note in Figure 3-1 the spikes that occur in FY 2005 and FY 2006. These spikes were

Figure 3-1
Investment Required To Eliminate Inadequate AFH



	FY03	FY04	FY05	FY06	FY07	Total
AFHC	\$128,016	\$194,291	\$604,709	\$692,182	\$455,725	\$2,074,923
AFHO	\$135,680	\$66,870	\$82,880	\$71,450	\$58,300	\$415,180
RCI	\$152,340	\$118,600	\$139,200	-	-	\$410,140
Total	\$416,036	\$379,761	\$826,789	\$763,632	\$514,025	\$2,900,243

created when the goal to eliminate inadequate housing was shifted from 2010 to 2007. Because the AFHC program in these years is over five times the FY 2003 program, executability is being intensively managed in I-FHMP development.

The DD Form 1391s are in place for the AFHC program for FY 2003 (Table 3-1) and FY 2004 (Table 3-2). Planned scopes and programmed investment amounts for these years are provided in the following paragraphs.

With the implementation of the IMA, AFHC projects will continue to be executed by the US Army Corps of Engineers (USACE) and centrally managed by the ACSIM program manager. Even though the Major M&R projects are being centrally planned by this FHMP, they will not necessarily be centrally managed or executed by the USACE. The AFHO program will be left to the IMA regions and installations to manage.

The FY 2003 Program. The FY 2003 program contains more than \$280M for investments (see Table 3-1). The monies allocated towards the 2007 goal are:

- \$152.3M for the privatization of 17,674 units (12,648 inadequate units are eliminated by these RCI projects, see Table 2-1);
- \$85.7M for renovating 831 units;
- \$26.7M for replacing 81 units.

In addition, there is \$135.7M of AFHO used for Major M&R projects to renovate 1,344 units in FY 2003. These projects are exclusively in Germany at the following locations:

- Bamberg (208 units)
- Darmstadt (234 units)
- Garmisch (24 units)
- Heidelberg (228 units)
- Hohenfels (27 units)
- Stuttgart (187 units)
- Vilseck (30 units)
- Wiesbaden (266 units)
- Wuerzburg (140 units).

Overall, the FY 2003 investment program addresses 14,904 inadequate units. Of these units, 12,809 are located in the US and 2,095 are located overseas. The domestic program is heavily dominated by RCI, while the overseas program is split between AFHC (\$89.3M) and AFHO Major M&R (\$135.7M).

The FY 2004 Program. The FY 2004 program contains over \$357M for investments (see Table 3-2). The only project not related to the 2007 goal is the construction of 100 units at Fort Wainwright to support Army Transformation. The monies allocated towards the 2007 goal are:

- \$118.6M for the privatization of 8,738 units (2,639 inadequate units are eliminated by these RCI projects, see Table 2-1);
- \$79.2M for renovating 593 units; and
- \$82.6M for replacing 396 units.

**Table 3-1
FY 2003 AFHC Program**

MACOM	State/ Country	Installation	Number of Units	Cost \$ (000)	Description
FORSCOM	LA	Fort Polk	3,648	\$64,000	Privatization
MDW	VA	Fort Belvoir	2,070	\$7,540	
TRADOC	VA	Fort Eustis/Fort Story	1,115	\$14,800	
TRADOC	MO	Fort Leonard Wood	2,472	\$45,000	
USARPAC	HI	Fort Shafter/Schofield Barrack	8,178	\$21,000	
Total Privatization			17,483	\$152,340	
EUSA	KR	Yongsan Garrison	8	\$1,900	Renovation
TRADOC	PA	Carlisle Barracks	36	\$4,200	
USAREUR	GE	Darmstadt	48	\$4,200	
USAREUR	GE	Heidelberg	75	\$11,961	
USAREUR	GE	Mannheim	132	\$20,400	
USAREUR	GE	Schweinfurt	234	\$7,200	
USAREUR	GE	Stuttgart	72	\$9,900	
USAREUR	GE	Vilseck	36	\$3,900	
USAREUR	GE	Wuerzberg	136	\$11,200	
USMA	NY	West Point	54	\$10,800	
Total Renovation			831	\$85,661	
ATEC	AZ	Yuma Proving Grounds	33	\$6,100	Replacement
EUSA	KR	Yongsan Garrison	10	\$3,100	
USARPAC	AK	Fort Wainwright	38	\$17,502	
Total Replacment			81	\$26,702	
Subtotal			18,395	\$264,703	
Planning & Design (P&D)				\$15,653	
Total AFHC			18,395	\$280,356	

In addition, there is \$66.9M of AFHO used for Major M&R projects to renovate 659 units in FY 2004. Specific locations are:

- Baumholder (73 units)
- Darmstadt (83 units)
- Mannheim (285 units)
- Red River Army Depot (1 unit)
- Stuttgart (68 units)
- Vilseck (29 units)
- Wuerzberg (120 units).

Overall the FY 2004 investment program addresses 4,287 inadequate units. Of these units, 3,121 are located the US and 1,166

Table 3-2
FY 2004 AFHC Program

REGION	State/ Country	Installation	Number of Units	Cost \$ (000)	Description
SOUTHWEST	TX	Ft Sam Houston	926	\$6,600	Privatization
SOUTHWEST	TX	Ft Bliss	2,776	\$38,000	
NORTHEAST	PA	Carlisle Bks	316	\$22,000	
NORTHEAST	NY	Ft Drum	2,272	\$52,000	
Total Privatization			6,290	\$118,600	
NORTHEAST	NY	West Point	56	\$530	Renovation
NORTHWEST	UT	Dugway PG	29	\$3,200	
EUROPE	GE	Mannheim - Jefferson	96	\$16,500	
EUROPE	GE	Ansbach - Storck Bks	108	\$18,973	
EUROPE	GE	Baumholder - Smith Bks	112	\$11,600	
EUROPE	GE	Baumholder - Wetzol	96	\$14,000	
EUROPE	GE	Wiesbaden - Crestview	96	\$14,400	
Total Renovation			593	\$79,203	
SOUTHEAST	KY	Ft Knox	178	\$41,000	Replacement
SOUTHWEST	AZ	Ft Huachuca	160	\$27,000	
SOUTHWEST	NM	White Sands	58	\$14,600	
Total Replacement			396	\$82,600	
PACIFIC	AK	Ft Wainwright	100	\$44,000	New Construction
Total New Construction			100	\$44,000	
Subtotal			7,379	\$324,403	
Planning & Design (P&D)				\$32,488	
Total AFHC			7,379	\$356,891	

are located overseas. The domestic program remains heavily dominated by RCI, while the overseas program is almost evenly split between AFHC (\$75.5M) and AFHO Major M&R (\$66.9M).

The FY 2005 To FY 2007 Program. Nearly \$2.2B, or 73% of the program, remains to be executed from FY 2005 to FY 2007. The year-to-year Installation Project Schedules are found at Appendix A, Table A-3. New I-FHMPs will refine the project list from FY 2005 to FY 2007 and provide the necessary documentation for the DD 1391's, which will be initiated by The Army for the installations.

The focus of the program remains on the 2007 goal. The only exceptions are:

- Construction of 100 new units at Fort Wainwright to support Army Transformation.
- Construction of 318 new units at Camp Walker to support EUSA's goal to increase command sponsored tours.

3.3 INVESTMENTS AFTER FY 2007

There is \$680.7M of investments planned for the two years following FY 2007. This level of investment is necessitated by the continued need for:

- EUSA family housing deficit construction to achieve a 25% accompanied rate in Korea by 2010 (\$29.7M);
 - The phased revitalization of General Flag Officer Quarters in the Military District of Washington (\$4.3M);
 - Cyclic renovation and improvement programs which include the ongoing requirement to maintain units at ISR green for the life of the structures, and emerging Anti-Terrorism/Force Protection (AT/FP) requirements (\$460.4M);
 - Replacement construction as previously revitalized units reach the end of their functional and economic lives (\$186.3M).
- **Table B-8** provides a summary of the AFH investment program by region for those installations not now scheduled for privatization.

3.5 SUMMARY

The Investment Plan is a consolidated strategy that reaches the Secretary of Defense goal by 2007. It also supports the Secretary of Defense three-prong initiative to improve Family Housing. This initiative eliminates out-of-pocket housing expenses for soldiers living in private houses in the United States, increases the use of housing privatization, and continues reliance on traditional military construction for revitalizing Army-owned housing. From FY 2003 to FY 2007, \$2.5 billion is invested in fixing inadequate housing and \$410M in RCI Government equity contributions.

3.4 DETAILED PROJECT LISTS

AFH investment projects by installation for FY 2003 to 2009 are provided in

Appendix B. This includes both AFHO Major M&R and AFHC construction projects. The FY 2003 program is finalized, with Congressional approval and funding received in September 2002. No 'Congressional adds' were included for the FY 2003 construction program. The FY 2004 construction and Major M&R program is now 'locked', in that it has been submitted to Congress for their review and funding. Projects for FY 2005 through 2009 are scheduled based on installation condition assessments and current funding levels. This funding is adequate for meeting OSD's 2007 goal.

- Project amounts for FY 2003 through FY 2009 are provided in **Tables B-1 to B-7**, respectively. These tables do not include the separately-programmed Planning and Design costs.

*The Next Section Describes
The Inventory Plan*

4. INVENTORY PLAN

4.1 INTRODUCTION

The Army Family Housing inventory for FY 2003 is 93,435 owned units, 15,727 privatized units (includes deficit construction), and 13,815 leased units. These 122,977 units are located at 112 installations in the United States (91,193 units), Europe (28,360 units), Japan (981 units), Korea (1,774 units), and 669 units leased at various locations worldwide.

Appendix C displays AFH inventory by installation, the condition of owned units, planned adjustments to the total inventory, and projected requirements. The overall inventory is summarized in **Table 4-1**.

Table 4-1
FY 2003 Inventory

Units	FY 2003	%
Owned	93,435	76%
Privatized	15,727	13%
Leased	13,815	11%
Total	122,977	100%

4.2 OWNED INVENTORY

The majority of The Army's inventory was constructed from the 1950's to the 1970's with the architectural style typical of these periods. Some units built before 1950 are listed on the National Register of Historic Places and require special consideration when making repairs or completing revitalization work. The average age of the AFH inventory worldwide is 36 years.

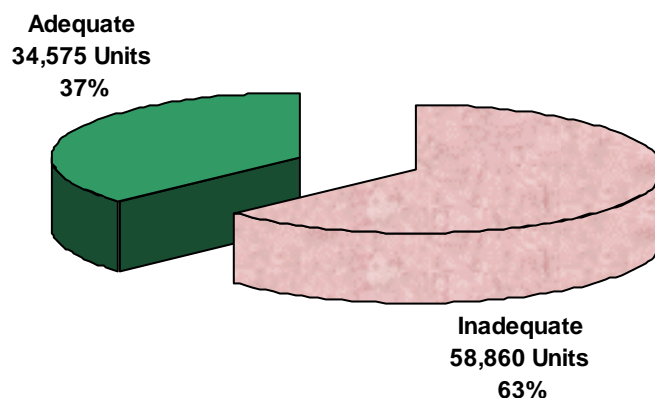
The condition of The Army's owned housing is determined by evaluating units against a set of facilities' standards developed and

approved by The Army Staff. These standards are part of the Installation Status Report (ISR) and provide ratings for the housing unit—based on the condition of major components (i.e., site and grounds, building exterior, interior workspace, bathrooms, utilities, kitchens, and laundries). In general, an inadequate unit requires a major repair, component upgrade, component replacement, or total upgrade.

The FHMP is based on a database of every house type (e.g., number of bedrooms) at each installation. The condition of each type was initially assessed using the December 1999 data call to update the July 1999 ISR. These initial assessments were updated based on work actually programmed from FY 1999 through FY 2002 and engineering inspections performed by the NAHBRC.

Even after the FY 2003 program is complete, about 48% of the AFH inventory (58,860 units) will still be inadequate. If just the 93,435 owned units are considered, 63% are inadequate (see **Figure 4-1**). These estimates are slightly lower than previously published estimates, primarily because the privatization of Forts Carson, Hood, Lewis, and Meade removed inadequate units at these sites from consideration.

Figure 4-1
FY 2003 Owned Inventory



4.3 LEASED INVENTORY

The purpose of the leasing program is to provide family housing at both domestic and foreign locations where additional housing is needed to satisfy a housing deficit, and the local economy cannot provide adequate support. The leasing program, authorized by 10 USC 2828, provides for the payment of rent, operating, and maintenance costs of privately owned quarters assigned to military families as Government quarters. The program also includes funds needed to provide services such as utilities, refuse collection, and maintenance when these services are not part of the lease contract.

Domestic Leasing. The domestic leasing program provides temporary housing for Army families pending availability of permanent housing. Domestic leases also support geographically displaced soldiers and families from the USA Recruiting Command, Cadet Command, and the Active Component/Reserve Component programs. Domestic lease allocations have increased in FY 2003 by 750 units (total 1,166) to provide housing in high cost areas.

Section 2835. The Army leases family housing at seven installations under the provisions of 10 USC 2835, Long Term Leasing of Military Family Housing to be Constructed (formerly and commonly known as Section 801 housing). Under this program, The Army leases family housing units from a private sector developer for as long as 20 years. The units are assigned as military housing to soldiers and their families. This program helped reduce our US family housing deficit at installations where Army families were the most seriously affected by housing shortages. Funds are requested to continue payment of lease costs and operation and maintenance expenses. The FY 2003 budget request includes 4,080

units. **Table 4-2** shows the location and status of these 4,080 leased units.

Table 4-2
Section 801 Leases

LOCATION	LEASE PERIOD	UNITS
Fort Wainwright	6 Nov 1987 – 5 May 2007	400
Fort Wainwright	17 Oct 1989 – 16 Oct 2009	150
Fort Polk	4 Nov 1987 – 3 Nov 2007	300
Fort Polk	1 Mar 1988 – 29 Feb 2008	300
Fort Bliss	21 Jun 1991 – 20 Jun 2011	300
Fort Hood	1 Jul 1998 – 30 Jun 2008	300
Ft McCoy	1 Jul 1992 – 30 Jun 2012	80
Fort Bragg	1 Nov 1993 – 30 Oct 2013	250
Fort Drum	1 Dec 1987 – 30 Nov 2007	56
Fort Drum	1 Dec 1987 – 30 Nov 2007	126
Fort Drum	1 Dec 1987 – 30 Nov 2007	122
Fort Drum	1 Dec 1987 – 30 Nov 2007	96
Fort Drum	1 Feb 1988 – 21 Jan 2008	224
Fort Drum	1 Feb 1988 – 31 Jan 2008	256
Fort Drum	1 Feb 1988 – 31 Jan 2008	120
Fort Drum	1 Feb 1988 - 31 Jan 2008	100
Fort Drum	1 Feb 1988 - 31 Jan 2008	75
Fort Drum	1 Feb 1988 - 31 Jan 2008	75
Fort Drum	1 Feb 1988 - 31 Jan 2008	150
Fort Drum	4 Jan 1988 – 3 Jan 2008	150
Fort Drum	17 Jun 1988 – 16 Jun 2008	150
Fort Drum	1 Oct 1990 – 30 Sep 2010	300
Total		4,080

When the leases expire The Army has the following options:

- Under 10 USC 2835 (Section 801 statute) The Army has only the Right of First Refusal to acquire the property when the owner has a binding purchase offer. No renewal or extension is authorized.
- Under Title 10 USC Section 2828 (Leasing of Military Family Housing) The Army may lease these units on a short-term, year-to-year basis. However, legislation may be required to increase the number of units leased under this section, as it is currently limited to 10,000 units DoD-wide.
- The Army can develop rental set-aside agreements with property owners. Under these arrangements, the owners set aside a number of units for soldiers at a rental rate at, or near, the soldiers' housing allowances. In turn, The Army agrees to refer soldiers to the properties and mediate disputes between soldiers and owners.
- Most recently, the Fiscal Year 2003 Authorization Law, PL 107-314 modifies 10 USC 2874 and authorizes the Service Secretary concerned to enter into contracts for the lease of existing housing units that are deemed suitable for use as military family housing or military unaccompanied housing. The new lease can be for any period that the Service Secretary determines appropriate. This gives the Army much greater flexibility to enter into longer-term leases for larger blocks of units, including those at installations where The Army already has a lease.

Of the seven installations with Section 2835 leased housing, five are involved in transferring to the RCI family housing privatization program--Fort Hood started in October 2001, Fort Bragg in August 2003, Fort Polk in May 2004, Fort Drum in February 2005 and Fort Bliss in July 2005.

- The Fort Hood RCI project did not include the leased family housing in the project scope, and there are no firm plans to include leased housing at the other sites.
- At Fort Drum, the 2,000 leased units constitute an unusually large portion of the total family housing--about 47%. Fort Drum requested that it be moved up in the RCI schedule to allow for the possibility of constructing new units under RCI, if it becomes necessary as 1,700 leased units expire. Because of the changes in 10 USC 2874, the Fort Drum RCI project scope may also consider an arrangement with some the leaseholders to continue use of some of the leased housing.

Foreign Leasing. The FY 2003 total foreign leasing program request consists of 8,021 leased units, mostly in Germany. About 682 European leases comprise the Governmental Rental Housing Program (GRHP). Under GRHP, the US Government leases existing, individual housing units in Europe. The Army negotiates, executes and manages the lease contracts, and assumes responsibility for payment. Soldier occupants forfeit their housing allowances and agree to occupy GRHP leased housing for their entire tour. Then, GRHP leases are terminated when the soldiers' tours end. This program allows soldiers to be housed quickly, without large out-of-pocket expenses on their part or early termination costs.

4.4 INVENTORY ADJUSTMENTS

As previously stated, a majority of The Army's inventory was constructed from the 1950's to the 1970's. Since that time, there has been significant change in installation troop strengths, family demographics, and the capabilities of local communities to provide adequate housing. As a result, there is a significant mismatch between an installation's current assets and projected requirements—particularly in the number of bedroom and the paygrades requiring on-post housing. The I-FHMP or Community Development and Management Plan (CDMP) processes will correct these deficiencies by properly defining and allocating the AFH requirements.

HMA's are currently underway for every RCI and major non-RCI sites. The results of 28 HMA's are incorporated into this FHMP (see Appendix A). Once the remaining HMA's are complete and approved by the MACOMs, the results will be validated by HQDA and incorporated into future FHMP updates. If a completed HMA is not available for a specific site, the Schedule 48 projections will remain the governing documentation. For installations not to be privatized, Appendix B shows the inventory adjustments as a result of identified surpluses (divestitures) or deficits (acquisitions).

Surplus Units. A total of 3,165 non-RCI units have been identified as surplus to AFH needs. These units will be divested by demolition, conversion to other use, or transfer (e.g., to a Land Reuse Authority or local government meeting McKinney Act requirements, or to the foreign Host Nation). Appendix C, Table C-5, displays The Army's divestiture plan by IMA Region, Installation, and year.

In some cases, surplus units will be carried past 2007. This provides flexibility in providing swing space for construction and

gives the local community time to adjust to increased military requirements.

Deficits. A requirement has been identified for 11,163 additional units. Primary locations with deficits supported by HMA's include Fort Belvoir (998 units), Fort Wainwright (1,025 units), and Fort Bragg (815 units). In addition 3,415 additional units are required in Korea to support EUSA's AFH Master Plan. For RCI sites, deficit reduction will be planned and programmed in the CDMP. For non-RCI sites, deficit construction is currently limited to Korea and Fort Wainwright .

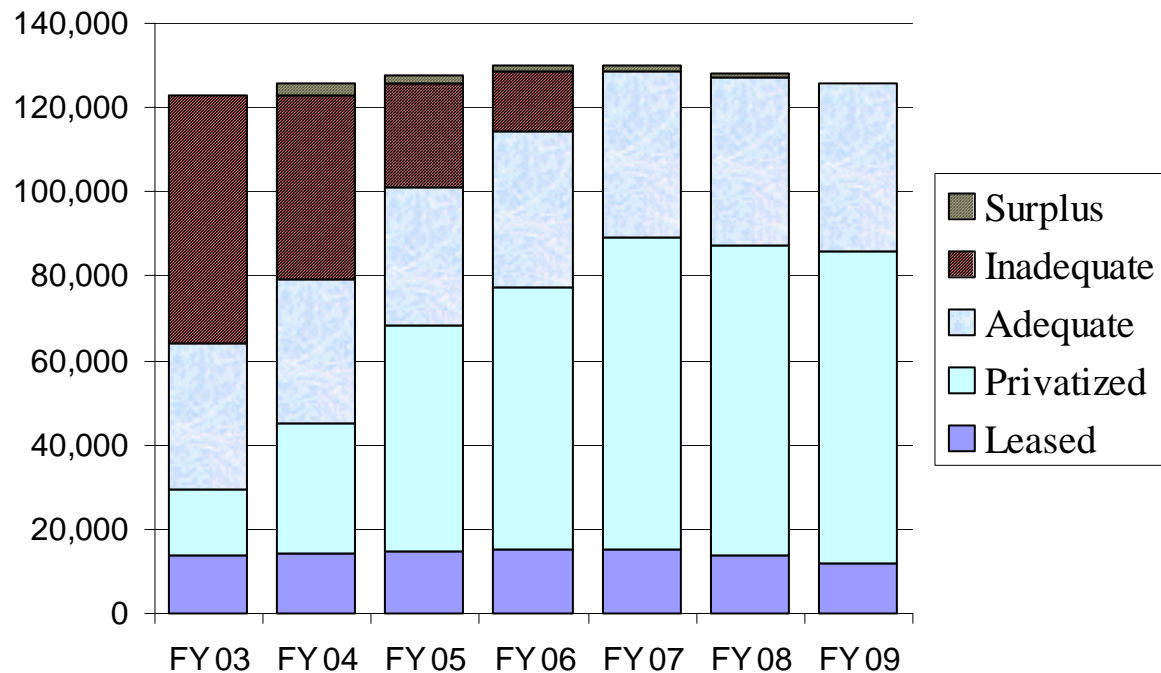
4.5 TRANSITION PLAN

Figure 4-2 shows the planned transition of the inadequate units to adequate units. Those units not divested will be revitalized or replaced by a combination of traditional military construction and privatization. As a result of these actions, The Army's FY 2009 inventory is estimated at 127,048 units worldwide and all units (except those deemed to be surplus) will be programmed to be adequate by FY 2007.

The inventory displayed in Figure 4-2 provides a realistic snapshot of The Army's AFH inventory for programming purposes, but should not be compared to the actual inventory at any given time during the year. It is beyond the scope of this FHMP to factor in construction schedules or estimate program delays. In order to develop the Transition Plan, the following assumptions were necessary:

- The average FY 2003 inventory is used as the starting point.
- Divestitures or acquisitions occur the year they are programmed. Since 330 units at non-RCI installations are programmed to be divested in FY 2004, the surplus for

Figure 4-2
Inventory Transition



Units	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Surplus	-	2,835	2,162	1,571	1,366	928	-
Inadequate	58,860	43,823	24,581	14,032	-	-	-
Adequate	34,575	33,763	32,699	37,110	39,464	39,642	39,774
Total Owned	93,435	80,421	59,442	52,713	40,830	40,570	39,774
Privatized	15,727	30,971	53,563	62,301	73,477	73,477	73,477
Leased	13,815	14,349	14,859	15,033	15,338	15,438	13,797
Total	122,977	125,741	127,864	130,047	129,645	129,485	127,048

FY 2004 is 2,835 units (i.e., 3,165 less 330).

- Units become adequate the year that investment funds are programmed for them.
- Sites are not considered privatized until the fiscal year following the planned transfer date.

Traditional Military Construction. From FY 2004 to FY 2007, there are 17,961 inadequate units addressed using AFHC (13,505 units revitalized and 2,221 units replaced) and AFHO (2,235 units revitalized). The number of units revitalized or replaced is relatively low in FY 2004 (1,648 units)—the result of using a lot of AFHC for RCI equity contributions.

During the later years of this plan, the number of units revitalized or replaced each

year dramatically increases. This upswing is made possible by a surge of over \$1 billion in the AFH Program. Additionally, investment funds are no longer used for privatization. In FY 2006, 7,891 units will be revitalized or replaced—nearly 5 times the FY 2004 program.

There are 815 inadequate units that can be made adequate without investment, but by using minor maintenance and repair funds. Included in this category are Lake City Army Ammunition Plant (11 units), Umatilla Chemical Depot (6 units), Iowa Army Ammunition Plant (1 unit), and Letterkenney Army Depot (1 unit). By re-designating inadequate units to a lower bedroom category and performing minor maintenance, Forts Wainwright and Richardson eliminate 264 and 532 inadequate units, respectively. Finally, two host nations address 326 inadequate units in foreign areas. Included are Yongsan Garrison (147 units in Korea) and Camp Zama (179 units in Japan).

Privatization. Through privatization, 36,592 inadequate units (36,770 inadequate units shown in Table 2-1 minus the 178 being replaced by AFHC at Fort Knox shown in Table 3-2) will be transferred to private contractors by the end of FY 2006. This contributes to the rapid decrease of inadequate units over the first four years. In FY 2003, the inventories of Forts Carson, Hood, Lewis, and Meade makeup the 15,727 privatized units.

4.6 SUMMARY

Although The Army's inventory remains relatively stable throughout the POM (about a 3% increase), its characteristics change dramatically. **Table 4-3** provides the domestic and foreign inventories by year. Note that the inadequate units of FY 2008 and FY 2009 are surplus units. By FY 2009,

60% of The Army's remaining owned inventory will be in foreign areas—compared to 25% in FY 2003. In addition, the privatized inventory increases to 58% of the worldwide inventory (82% of the US owned inventory).

Table 4-3
Domestic and Foreign Inventories

Location	Housing Inventory	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09
Domestic	Owned-Adequate	24,601	22,435	17,827	15,687	15,828	15,828	15,828
	Owned-Inadequate	45,071	34,210	18,005	13,495	1,366	928	
	Section 801	4,080	4,080	4,080	4,080	4,080	1,780	1,780
	Leased	1,714	2,464	2,452	1,702	952	583	214
	Privatized	15,727	30,971	53,563	62,301	73,477	73,477	73,477
Domestic Total		91,193	94,160	95,927	97,265	95,703	92,596	91,299
Foreign	Owned-Adequate	9,974	11,328	14,872	21,423	23,636	23,814	23,946
	Owned-Inadequate	13,789	12,448	8,738	2,108	-	-	-
	Section 801	-	-	-	-	-	-	-
	Leased	8,021	7,805	8,327	9,251	10,306	13,075	11,803
	Privatized	-	-	-	-	-	-	-
Foreign Total		31,784	31,581	31,937	32,782	33,942	36,889	35,749
Total	Owned-Adequate	34,575	33,763	32,699	37,110	39,464	39,642	39,774
	Owned-Inadequate	58,860	46,658	26,743	15,603	1,366	928	-
	Section 801	4,080	4,080	4,080	4,080	4,080	1,780	1,780
	Leased	9,735	10,269	10,779	10,953	11,258	13,658	12,017
	Privatized	15,727	30,971	53,563	62,301	73,477	73,477	73,477
Grand Total		122,977	125,741	127,864	130,047	129,645	129,485	127,048

*The Next Section Describes
The Financial Plan*

5. FINANCIAL PLAN

5.1 INTRODUCTION

The primary sources of funds available to operate, maintain, and improve Army Family Housing is through The Army Family Housing, Operations (AFHO) and Army Family Housing, Construction (AFHC) appropriations. **Table 5-1** shows the AFH program for FY 2003. The accounts are defined below.

Table 5-1
FY 2003 AFH Program (\$M)

AFHO	1910	\$179.40
	1920	\$481.76
	1930	\$210.91
	1940	\$213.42
	1950	\$20.62
	Total	\$1,106.11
AFHC	1000	\$27.94
	3000	\$15.65
	6000	\$236.76
	Total	\$280.36
AFH TOTAL		\$1,386.46

Army Family Housing, Operations (AFHO). The AFHO funds for FY 2003 will be allocated to the installation through the MACOM to pay essential operations, maintenance, repair, and revitalization. The various AFHO accounts are:

- **1910 Account: Management**— Includes funding required for all personnel staffing costs at Army and MACOM headquarters and at installations for both family housing and the Community Homefinding Relocation and Referral services (CHRRS). Also, includes costs for furnishings, services (e.g., fire and police protection, refuse collection), and production of housing market analyses and other studies. This account also supports reimbursable work in other activities (e.g., installation public works and resource management).
- **1920 Account: Maintenance & Repair (M&R)**— Includes funding required for all maintenance and repair of family housing buildings and supporting infrastructure (e.g., roads and utility systems), and for costs of alterations and incidental improvements. The first of three components, Essential M&R is that minimal work needed to keep family housing units safe and habitable, but is insufficient to prevent further unit deterioration. The second component, called Sustainment M&R, brings funding up to a level that can maintain units in their current condition, prevent further deterioration, but does not improve units. The final component is Major Repair Projects used to improve units.
- **1930 Account: Utilities**— Includes funding required for all utilities consumed in family housing and family housing support activities.
- **1940 Account: Leasing**— Includes funding required for lease costs of units leased from foreign governments, private owners, or federal agencies; and for costs to manage, operate, and maintain leased units. Includes each year's costs, both for short-term and multi-year leases.
- **1950 Account: Privatization**— Includes funding required for administering the Residential Communities Initiatives (RCI) program, staffing costs at Army and Major Command headquarters, program management and construction oversight at privatized sites, studies and analyses,

and fees paid contractors to produce installation Community Development and Management Plan (CDMP).

Army Family Housing, Construction

(AFHC). The AFHC appropriation represents The Army's line item construction program and includes funds for deficit elimination, replacement, revitalization (i.e., renovating and improving existing units), planning and design, and equity contributions for privatization. AFHC projects are site specific, with a defined scope of work and completion cost. The various AFHC accounts are:

- 1000 Account: New Construction—Includes funding required for all new (deficit elimination);
- 3000 Account: Planning and Design (P&D)—Includes funding required to design all AFHC projects;
- 6000 Account: Improvements—Includes funding required for all revitalization, renovation and improvement projects, including all associated energy conservation, supporting facility, demolition and infrastructure work. Project may include building expansion, but not total replacement. This account also provides all required funding for the Government's equity contribution ("scoring") for privatization.

Payment-in-Kind (PIK) Funding. In addition to appropriated funds, limited funds in Europe are available through PIK. These funds, which end in FY 2003, are used to renovate existing family housing units in Germany. The PIK funding available in FY 2003 is estimated at \$5.0 million. These funds are not reflected in Table 5-1.

Host Nation Funding from Japan or

Korea. The FHMP does not include host nation funding from Japan or Korea, but does recognize that the work is done.

- Japan Facilities Improvement Program (JFIP) Funds. The government of Japan provides limited funds for operating AFH (utilities only). The schedule for replacement construction is at their discretion and not very predictable. Based on these two factors, the FHMP 2001 has taken a worst-case scenario and assumed JFIP funds are available only for the 179 units currently under construction. If more becomes available, it will be considered in updates.
- Republic of Korea Facilities Construction (ROKFC) Funds. In Korea, a more definitive plan for host nation funding of AFH new construction has been developed. Although this FHMP does not specifically include ROKFC funds, it does provide AFHO funds to operate and maintain these units once they are constructed and occupied. ROKFC funds are used to eliminate 147 inadequate units at Yongsan Garrison.

5.2 BUDGET ALLOCATION

Table 5-2 shows the AFH program as of the FY 2004 President's Budget submitted to congress in February 2003. A breakout of Table 5-2 by year and region can be found in **Appendix D, Tables D-1 and D-2.**

It is important to note that the actual FY 2004 funds distribution may be revised to reflect congressional actions, revised OSD economic assumptions, and FY 2003 performance.

Table 5-2
Army Family Housing Budget Allocation (\$M)

Fiscal Year	Budget	Investment			1910	1920		1930	1940	1950
		AFHC	P&D	AFHO		Essential	Sustainment			
2003	\$1,386.46	\$264.70	\$ 15.65	\$135.68	\$179.40	\$231.71	\$114.37	\$210.91	\$213.42	\$ 20.62
2004	\$1,399.92	\$324.40	\$ 32.49	\$ 66.87	\$179.03	\$257.44	\$108.29	\$167.33	\$234.47	\$ 29.59
2005	\$1,791.53	\$817.70	\$ 30.21	\$ 82.88	\$142.85	\$232.24	\$ 74.66	\$138.41	\$243.80	\$ 28.78
2006	\$1,717.59	\$709.45	\$ 21.73	\$ 71.45	\$155.83	\$188.71	\$153.43	\$113.99	\$287.93	\$ 15.09
2007	\$1,499.19	\$484.95	\$ 14.98	\$ 58.30	\$154.75	\$162.64	\$200.79	\$ 98.27	\$313.56	\$ 10.96
2008	\$1,521.18	\$304.67	\$ 10.53	\$ 66.24	\$158.20	\$165.45	\$370.96	\$100.16	\$333.74	\$ 11.22
2009	\$1,550.68	\$202.11	\$ 11.55	\$ 67.64	\$162.15	\$168.27	\$477.33	\$101.85	\$348.29	\$ 11.50
TOTAL	\$10,866.55	\$3,107.99	\$137.14	\$549.06	\$1,132.20	\$1,406.46	\$1,499.83	\$930.92	\$1,975.20	\$127.76

Notes: FY2003 AFHC includes \$107.30 M transferred to Family Housing Improvement Fund by OSD
FY2004 P&D does not include \$2.0M transferred from FY2002

5.3 FUNDING PRIORITIES

Maintaining and sustaining safe housing for our soldiers and families is one of The Army's continuing challenges in a constrained fiscal environment. **Figure 5-1** shows the AFH is prioritized as follows:

Priority 1: Units safe and Open. These are the AFHO funds required for minimal essential operations. Defined as full funding for management, utilities, leasing, and privatization, and 58% of full ISR sustainment; priority 1 funding does not prevent deterioration;

Priority 2: Investment Projects. This is a combination of AFHC and AFHO monies required by the FHMP Investment Plan (see Section 2). The primary purpose is to eliminate inadequate units by 2007;

Priority 3: Full Sustainment. These are the AFHO funds required to fully sustain the inventory. Defined as the remaining 42% of

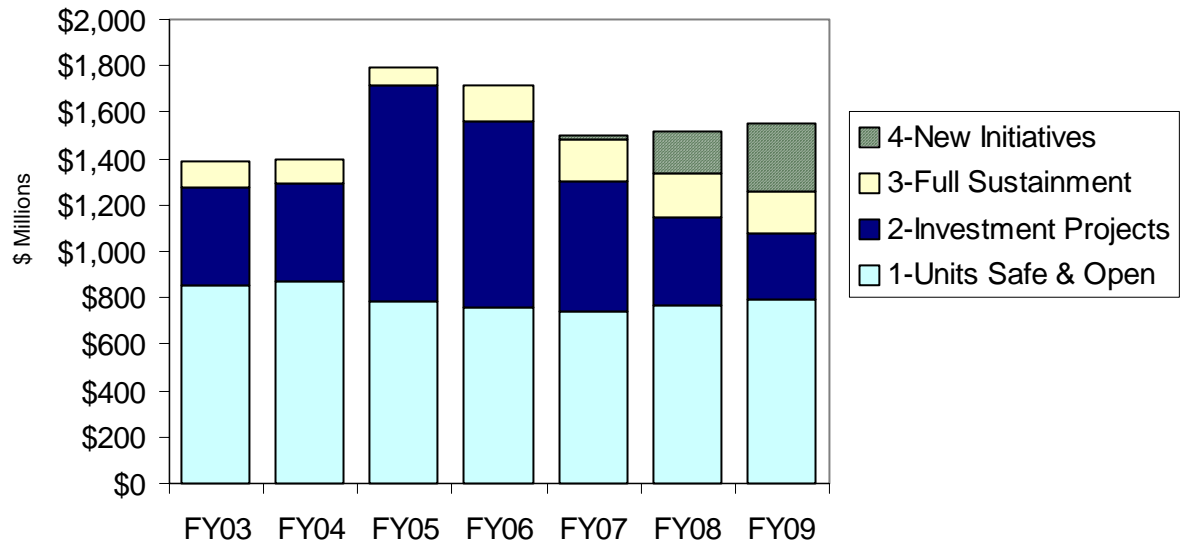
full ISR sustainment, priority 3 funding provides the M&R that prevents unit deterioration. Through FY 2006, AFH is funded less than 85% of full ISR sustainment (i.e., 58% minimal essential plus less than 27% M&R sustainment). Current funding shows full sustainment is achieved in FY 2007.

Priority 4: New Initiatives. These are the AFHO 1920 funds that have been targeted against new initiatives such as worldwide Anti-Terrorism/Force Protection (AT/FP).

5.4 SUMMARY

The Army has built its programs as outlined in the FHMP to support the Secretary of Defense three-prong strategy to improve Family Housing. Using a mix of traditional military construction and privatization, The Army is committing sufficient resources to eliminate all inadequate AFH by 2007.

**Figure 5-1
AFH Funding Plan**



Priority	FY03	FY04	FY05	FY06	FY07	FY08	FY09
1-Units Safe & Open	\$856	\$868	\$786	\$762	\$740	\$769	\$792
2-Investment Projects	\$416	\$424	\$931	\$803	\$558	\$381	\$281
3-Full Sustainment	\$114	\$108	\$75	\$153	\$181	\$184	\$187
4-New Initiatives	\$0	\$0	\$0	\$0	\$20	\$187	\$290
Total AFH	\$1,386	\$1,400	\$1,792	\$1,718	\$1,499	\$1,521	\$1,551

*Appendices
Follow*